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Results-based budgeting

Report of the Secretary-General

Summary

The introduction of results-based budgeting has sometimes been hailed as a revolutionary step in some Governments, but in the United Nations it would be more in the nature of an evolutionary development. The United Nations budgetary process and practices have been the subject of review by intergovernmental bodies, experts, technical seminars, the Joint Inspection Unit, the Administrative Committee on Coordination and the Secretariat itself, with a view to ensuring transparency in the planning, programming, budgeting, monitoring and evaluation cycle. In spite of improvements made to the budget format or in the budget methodology, the link between resources and results has remained weak, partly owing to the relatively heavy emphasis that has been given to resource requirements (input budgeting). While Member States have appropriately required maximum transparency in the use of resources, the determination of whether or not results have been achieved has not been addressed. Results-based budgeting, therefore, aims at ensuring that the Secretariat will work towards achieving results and not only towards delivering outputs.

Results-based budgeting, in the form proposed by the Secretary-General for implementation at the United Nations, is a programme budget process in which: (a) programme formulation revolves around a set of predefined objectives and expected results; (b) expected results would justify resource requirements which are derived from and linked to the outputs required to achieve such results; and (c) actual performance in achieving results is measured by objective performance indicators.

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Results-based budgeting would, at the intergovernmental level, facilitate policy guidance by Member States during the programme budgeting and implementation stages of the programme budget, as well as decision-making, at the close of a biennium, on the effectiveness, relevance and continuing validity of outputs, subprogrammes and programmes, taking due account of the results achieved. With the focus shifting from input budgeting to achieving results, implementation of results-based budgeting would, at the Secretariat level, also improve strategic management, increase administrative and programme effectiveness and enhance accountability of programme managers.

The present report seeks the endorsement by the General Assembly of the Secretary-General's proposals to begin shifting from input budgeting to results-based budgeting and to proceed, in addition to the preparation of the full programme budget for the biennium 2000–2001 in the current format, to also present fascicles for three budget sections utilizing the format for results-based budgeting as a prototype.

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I. Introduction

Mandate

1. The Secretary-General, in his report on renewing the United Nations: a programme for action, proposed that he and Member States enter into a dialogue with the aim of shifting the United Nations programme budget from a system of input accounting to results-based accountability (A/51/950, para. 46). The Advisory Committee on Administrative and Budgetary Questions (hereinafter referred to as "the Advisory Committee") subsequently requested a detailed report that would include an explanation and justification of the proposed change, and of the new methodology to be used, as well as a mock-up of such a budget.[1]

Initial note

2. A note was prepared to explain the basic concepts involved in results-based budgeting and how those ideas might be applied to the United Nations (A/51/950/Add.6). The General Assembly, in its resolution 52/12 B of 19 December 1997, took note of the recommendation of the Secretary-General and requested him to submit, through the competent bodies, a more detailed report that would include a full explanation for the proposed change, and the methodology to be used, as well as a mock-up of one or more sections of the budget for consideration. The present report and the prototype presented in addendum 1 address that request.

II. Background

Concerns of Member States

3. Member States, intergovernmental and expert bodies, in particular the Committee for Programme and Coordination and the Advisory Committee, have, over the years, repeatedly expressed the need for better identification of objectives, clearer definition of outputs, adequate monitoring, establishment of performance indicators and effective evaluation in order to enable them to determine the effectiveness, relevance and impact of programmes. Existing budgetary arrangements have attempted to implement fully the planning, programming, monitoring and evaluation cycle, but the issue of determining whether or not results have been achieved has remained largely unresolved.

Public administration innovations

4. There has been a considerable evolution of budgetary practices in recent years at the national level as a key component in updating overall public administration structures and methods in an attempt to determine the results achieved. The changes have reflected a wide range of economic and social conditions. National reform of budgetary practices have been tailored to the needs and characteristics of each country, adapting to the political and economic context of revenue and expenditures. In some cases, the changes have been labelled "performance budgeting" or "output budgeting", in others, "results budgeting". In most cases, the changes have included modifications to control at the input level.

United Nations programme budgeting

5. At the international level, in this case the United Nations, budgetary practices have been influenced by national practices, as well as by intergovernmental decisions and changing conditions with respect to the work of the Organization. The United Nations budgetary process and practices, including the budget format, have been the subject of numerous reviews by intergovernmental bodies, the Advisory Committee, experts, technical seminars, the Joint Inspection Unit, the Administrative Committee on Coordination and the Secretariat. The use of pure input budgets was discontinued in the United Nations when, in 1974, programme budgeting replaced the former object-of-expenditure budgets. Up until that time, budget sections had been defined in terms of major objects of expenditure. Since then, budget sections have been largely defined in terms of programmes to be carried out by major organizational units, and those programmes have been formulated within the framework of a medium-term plan that describes their components, their legislative basis and their objectives. Much work has also been undertaken since 1974 to define programmes, activities and outputs, leading to the formalization of those arrangements within the Regulations and Rules Governing the Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation in 1987.

Format of the medium-term plan and the programme budget

6. The scope and kind of information provided in the programme budget document has changed since 1987, resulting in a number of modifications, both in the presentation (groupings of objects of expenditures, categories of activities/outputs, extrabudgetary resources,

composition of tables, etc.) and in the methodology (resource base, measurement of growth, recosting, etc.). At its thirty-third session, the Committee for Programme and Coordination, during its deliberations on a new format for the medium-term plan and the linkage with the programme budget, expressed the view that the programme budget narrative of the substantive subprogrammes should consist of clearly formulated objectives designed to bring about, to the extent possible, observable change.[2] An attempt was made, in the medium-term plan for the period 1998–2001, to focus on objectives rather than on detailed descriptions of activities and outputs. Congruence between the programmes in the medium-term plan and the budget sections was also established in an effort to enhance accountability by showing more clearly the link between programmes, budget sections and organizational units. Efforts were also made, for the programme budget for the biennium 1998–1999, to formulate clear objectives during the biennium, but progress on this was limited and the "observable change" component remains unaddressed, since the budget document continued to present activities and outputs to be delivered rather than results to be achieved. Furthermore, the Committee for Programme and Coordination recognized the need for the direct responsibility of programme managers in the implementation of mandated programmes. It emphasized that responsibility and accountability, as well as improvements in the techniques and methodology for evaluation and budget and programme performance reports, were essential for progress in the implementation of the programme budget and in the capacity of Member States to assess accurately the implementation of their mandates and decisions.

Monitoring outputs

7. Currently, programme "performance" takes the form of a monitoring report to indicate whether or not the Secretariat has delivered the outputs that were programmed in the budget. This is largely a quantitative exercise, showing the implementation rate in terms of outputs programmed, implemented, reformulated, postponed, terminated or added. While this kind of monitoring of the programme budget has responded to the requirement that information be provided on where the approved resources were spent during a biennium, it does not provide information on whether or not the expected results were achieved. In other words, information on outputs is provided without related information on impact and consequent outcomes. The Advisory Committee, when it reviewed the programme performance report for the biennium 1988–1989, recognized that the report did not assess the quality or relevance of the outputs produced, and it recommended that the process of monitoring the programme performance of the United Nations be suspended, pending the development of a satisfactory methodology (A/45/617, para. 23). The Advisory Committee, in reviewing changes to the format of the programme budget for 1992–1993, pointed out that the effectiveness of monitoring was a function of the quality of the medium-term plan and the programme budget; to the extent that these were specific in quantifying outputs and activities planned and financed, the effectiveness of monitoring would be enhanced.[3] The Committee for Programme and Coordination, at its thirty-first session, in 1991, expressed the view that the biennial performance report should provide, *inter alia*, information that would facilitate the identification by Member States of outdated and inefficient activities and reformulation of programmes in the light of newly identified objectives.[4] The Committee also recommended that a system of responsibility and accountability of programme managers be established. At its thirty-third session, the Committee, in its deliberations on the new format of the medium-term plan, recommended that the programme and budget performance reports detail the achievements relative to the objectives of the programme framework of the plan and the resources of the programme budget.[5] At its thirty-eighth session, in 1998, the Committee concluded that more emphasis should be placed on qualitative analysis to reflect achievements in implementing programme activities, and recognized the need to monitor and evaluate the quality of performance.[6]

Why output monitoring is insufficient to ensure programme success

8. In an ideal situation, the full delivery of a set of programmed outputs would have the result that programme objectives intended to achieve. Such outputs would have the impact planned and would, therefore, change the initial state or situation to the desired one as specified in the statement of objectives. However, there are cases where, even though all programmed outputs are delivered, objectives are not met and desired results are not achieved. This can be due either to internal programme design weaknesses or external events that undercut certain implicit or external assumptions used in the planning process. Internal design weaknesses can be due, *inter alia*, to over-optimistic assumptions as to the impact certain outputs could have on a situation. Results-based budgeting attempts to ensure that a focus is maintained on meeting objectives, as opposed to merely meeting certain output delivery.

Evaluation

9. The evaluation component of the planning, programming, budgeting, monitoring and evaluation cycle has yet to meet its potential as a means for determining the continuing relevance and effectiveness of mandated programmes and activities. Evaluation studies have been carried out on a regular basis and have been presented to the Committee for Programme and Coordination for its consideration. They have been primarily management-oriented, with recommendations focusing on needs assessments, programme design, problem solving, quality of outputs, timeliness and requirements of end-users, among other things. However, since the expected results were not articulated at the outset of the budgetary process, nor measured for achievement at the close of the biennium, evaluation studies could not easily address the question of whether or not intended results were achieved. This is a significant gap in the planning, programming, budgeting, monitoring and evaluation cycle which was originally identified in the Joint Inspection Unit report on programming and evaluation in the United Nations as far back as 1978 (A/33/226). Specific recommendations were made at that time to the effect that descriptions of subprogramme objectives in programming documents should follow a format that enables the expected results to be clearly identified and that time-limited objectives should as far as possible be the rule (recommendations 1(c) and (a)). In addition, the Joint Inspection Unit recommended that, achievement indicators forming an integral part of the description of each subprogramme should be established according to type of objective and type of user (recommendation 6(b)). At its thirty-eighth session, the Committee for Programme and Coordination stressed the importance and necessity of further improving and integrating evaluation into the planning, programming, budgeting, monitoring and evaluation cycle with a view to improving and strengthening programme formulation and implementation.[7]

Guidelines for programme monitoring and evaluation

10. Guidelines for programme monitoring and evaluation were issued in November 1997 for all programme managers in an effort to help them shift from a relatively passive emphasis on administrative procedures to a more active concern with client satisfaction and results. The Committee for Programme and Coordination, at its thirty-eighth session, viewed effective programme monitoring and evaluation as important elements in internal management and intergovernmental reviews.[7]

Existing provision for performance indicators

11. The concept of achievement or performance indicators has been clearly defined in the glossary of terms of the Regulations and Rules Governing the Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation as follows:

> "Indicators are measures of the results or changes that an activity is intended to produce. They are designed to provide an objective and specific scale against which the activity's progress towards its objectives, the actual achievement of its objectives and the impact of such achievement can be determined."

In addition, rule 105.3 provides that programme narratives describing servicing activities in the proposed programme budget "shall include, wherever possible, quantitative indicators measuring the services rendered and showing any expected change in productivity during the biennium". Article VII also provides that one of the objectives of evaluation is to determine the "impact of the Organization's activities in relation to their objectives"(regulation 7.1(a)), while the associated rule 107.1(b) requires that "evaluation shall utilize baseline data and indicators of progress accomplishment to assess programme impact". While these provisions have established the theoretical framework for a measurement system based on indicators, implementation in practice has not been effected.

Centralized detailed financial control

12. The General Assembly, in its attempt to exercise financial control, has focused its attention on inputs, requiring detailed specifications of the number and grade levels of personnel and distinct categories of non-post objects of expenditure. The rigidity with which funds may be spent is a feature of input budgeting that gives little discretionary authority to programme managers for moving funds between the objects of expenditure in order to adapt in a more timely manner to changing needs and conditions during the course of the biennium. In spite of improvements made to the budget process, the link between resources and results has remained weak. The need to determine the effectiveness of programmes has continued to be overshadowed by the focus on the use of resources at the input level (post and non-post expenditures).

III. Results-based budgeting: the proposal

13. Against the background discussed above, the Secretary-General, in his report on renewing the United Nations: a programme for action (A/51/950), proposed that he and Member States enter into a dialogue with the aim of shifting the United Nations programme budget from a system of input accounting to results-based accountability. Member States would specify the results they expected the Organization to achieve within the relevant budgetary constraints; the Secretariat would be held responsible for, and be judged by, the extent to which the specified results were reached; and the Secretary-General would exercise greater responsibility for determining the precise mix of inputs by which to achieve those results most effectively.

Customizing results-based budgeting for the United Nations

14. It should be noted that there is no single model for results-based budgeting that may be replicated for use in the United Nations. What would be appropriate and useful in one government structure may not be appropriate in another. The proposals in the present report have been carefully designed to take fully into account the universal character and unique nature of the Organization, as well as the concerns expressed by Member States over the years, so as to ensure both an effective use of resources and the maintenance of full responsibility and accountability of programme managers to all relevant intergovernmental bodies.

Results orientation

15. Although the introduction of results-based budgeting has sometimes been hailed as a revolutionary step by some Governments, it would be more of an evolutionary development in the United Nations, as the basic framework for planning, programming, budgeting, monitoring and evaluation required for results-based budgeting has already been in place for many years. Indeed it may be observed that a results orientation was already fully implicit in the planning, programming, budgeting, monitoring and evaluation cycle as established by the General Assembly. Paragraph 1(i) of the preamble to the Regulations and Rules Governing the Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation specifies that one of the aims of the cycle was "to evaluate periodically the results achieved". Moreover, the concerns expressed over the years by Member States, the Committee for Programme and Coordination and the Advisory Committee on Administrative and Budgetary Questions (see paras. 5–9 above), highlight the desire of Member States to implement processes oriented towards results and accountability. Results-based budgeting, as part of the Secretary-General's reform programme, aims at addressing these concerns by reinforcing the existing planning, programming, budgeting, monitoring and evaluation cycle and represents continuing efforts to improve the Organization's management culture and consequentially its effectiveness in meeting objectives.

Goals of results-based budgeting

16. While Member States appropriately desire maximum transparency in the use of resources, the determination of whether or not results have been achieved has not been addressed. Results-based budgeting, therefore, aims at ensuring that the Secretariat will work towards achieving results and not only towards delivering outputs. Greater emphasis, at the budget preparation stage, on what the Organization intends to accomplish within the budgetary period would facilitate determination by Member States, after the budgetary period, of not only effectiveness but also of continuing relevance of activities. Specific goals of results-based budgeting would be:

(a) To facilitate the legislative process to focus on policy implications of funds to be expended;

(b) To facilitate the identification by Member States of effective and less effective programmes, on the basis of measurable results;

(c) To facilitate determination by Member States of what further action should be taken in terms of optimal deployment of resources among all the various activities/outputs, subprogrammes and programmes of the programme budget;

(d) To enhance the management capacity of both the General Assembly and the Secretariat with regard to ensuring effective programme implementation.

Policy direction

17. Although attempts have been made to provide objectives for each section of the programme budget, much more attention has been given to providing Member States with detailed information on numerous objects of expenditure proposed for undertaking activities and for delivering a vast array of outputs. The focus on the proposed use of resources (post and non-post objectives of expenditure) has detracted attention from determining what

results are intended to be achieved. Policy direction from Member States, at the level of meeting objectives of the Organization within a two-year period, has consequently suffered. Results-based budgeting would release Member States from concentrating on detailed *ex ante* controls and highly itemized inputs, and would enable them to focus on providing policy direction for the implementation of the Organization's mandated programmes and activities, taking due account of clearly defined objectives and expected results.

Accountability

18. Results-based budgeting, in the form proposed by the Secretary-General for implementation at the United Nations, is understood to mean an improved planning, programming, budgeting, monitoring and evaluation process in which:

(a) The Secretariat would effectively be held accountable for achieving results since: (i) The proposed programme budget would be formulated around a set of predefined objectives and expected results; (ii) Expected results would justify resource requirements that would be derived from and linked to the outputs required to achieve such results; (iii) Actual performance in achieving results would be measured by objective performance indicators, which would be reported on *ex post*;

(b) The individual programme managers would be required to administer their human and financial resources directly using carefully structured delegations of authority, which heretofore were reserved for the central administration at Headquarters.

"Expected results"

19. While the term "objective" has been defined and used in the Regulations and Rules referred to in paragraph 5 above, this and other terms have not always been used in a uniform way. As already noted above, the preamble to those Regulations and Rules provides, in paragraph 1(i), for example, that one of the aims of the planning, programming, budgeting, monitoring and evaluation cycle is "to evaluate periodically the *results achieved*"(emphasis added). Moreover, the preamble goes on to include as one of its instruments an evaluation system "which allows for a continuing critical review of *achievements*"(para. 2 (c), emphasis added). The current proposal therefore aims to refine the use of such terms and includes the introduction of the term "expected results" in addition to the existing notion of "objectives". Expected results are the desired tangible outcomes of the delivery of outputs (see also the glossary of results-based budgeting terms in the annex to the present report). A distinction has therefore to be made between what the Secretariat intends to accomplish during a biennium (the objective) and what concrete benefits would accrue to end-users and clients (the expected results). Results-based budgeting would require that the expected results constitute necessary conditions for achieving the objectives. This distinction is necessary to ensure a more coherent programme design and to facilitate a successful measurement system.

Improving strategic management

20. With results-based budgeting, programme managers would have to design their programmes more effectively, since they would have to manage strategically towards achieving a result and not only towards delivering an output. The top-down approach would require careful analysis of the objectives and expected results prior to determining which outputs would best achieve those results. Such strategic management would require a better understanding of end-users/clients and tailoring outputs to meet their specific needs.

Delegation of authority

21. To enable programme managers to manage strategically, greater authority and discretion over the use of resources for implementation of their programmes would need to be granted. This will be done through the issuance of more flexible allotments, while maintaining allotted funds strictly within the section provisions approved by the General Assembly and fully respecting staffing-table limits. In this connection, delegation of authority to programme managers should not be viewed as abrogation of responsibility at the centre, or a relaxation of discipline, but rather as facilitating decision-making, within established regulations and rules, at the programme or budget section level.

Implementation of the programme budget

22. Results-based budgeting would, therefore, release programme managers from restrictions of input and central controls and shift their focus to decision-making on how best to achieve results. Currently, with little discretion in determining a better mix of resources during budget implementation and little meaningful authority for managing the financial and human resources assigned to their programmes, programme managers are not inspired to be innovative, proactive and responsive to changes that inevitably occur during the course of their work. Results-based budgeting and increased delegation of authority

would, therefore, give programme managers greater authority, within approved overall budgetary provisions and established regulations and rules, for decision-making during budget implementation on the best course of action for achieving the expected results.

Increased administrative and programme effectiveness

23. With clear definitions of results to be achieved and the delegation of decision-making on utilization of resources to programme managers, administrative services at the centre would concentrate on establishing policies, simplifying processes, streamlining procedures, maximizing the use of technological innovation, and strengthening data and information systems, all directed at facilitating and ensuring compliance with established regulations, rules and policies, providing optimal support for programme effectiveness and keeping costs down.

Strengthening the links in the planning, programming, budgeting, monitoring and evaluation cycle

24. Accountability for achieving results would be enhanced by strengthening the links in the existing programme planning, budgeting, monitoring and evaluation cycle whereby expected results would be built into the budgetary phase, ready for subsequent follow-up in the monitoring and evaluation stages. Rather than only counting outputs, monitoring of programme implementation would also be undertaken in the context of the process of achieving results so as to alert programme managers of corrective actions needed through either a reconfiguration of resources to be used or a modification of outputs. Evaluation studies, in addition to being management-oriented, would be enhanced by addressing the extent to which results have been achieved, thereby facilitating decision-making by Member States on the effectiveness, relevance and continuing validity of subprogrammes and programmes.

Performance measurement

25. Results-based budgeting would require the identification of a strictly limited number of performance indicators against which the results would be measured. It would be the responsibility of programme managers to establish such indicators, which would appear as part of the programme narrative of the proposed programme budget. Performance indicators would be useful not only for measuring whether or not results have been achieved but also for providing feedback to programme managers so as to improve programme design, to better meet needs of end-users and to manage strategically.

Results report

26. It is proposed that within six months after the end of the budget period, and based on measurements obtained from the performance indicators, programme managers would report on the results achieved and the resources utilized in the form of a "results report". It is envisaged that the current monitoring ("programme performance") report would in due course be integrated into such a results report, which would also include information on expenditures. Programme managers would be held accountable for the performance of their programmes in terms of results achieved. The results report would be presented to the Committee for Programme and Coordination and the Advisory Committee. Their recommendations thereon would be submitted to the General Assembly.

Required changes

27. The above-proposed arrangements would modify existing planning, programming, budgeting, monitoring and evaluation arrangements by introducing, at the time of programme budget formulation, expected results and specifying related performance indicators for the measurement of those results. As regards the administrative authorities, changes would be made. Currently, authority over detailed administrative matters is highly centralized at Headquarters. While significant issues, such as the level of resources that may be committed under each budget section, must clearly be retained centrally, other matters of detail relating to the internal mix of objects of expenditure would best be determined at each location and within each department or office so that timely, well-informed decisions are made as close as possible to the point of programme implementation responsibilities.

IV. Budget format

28. The budget document is intended to be a decision-making tool for representatives of Member States; a means for intergovernmental bodies to participate in the programmatic review; a way for Governments of Member States to convey information on broad policies of the Organization and a useful management tool for programme managers. The budget document, once approved, is also an important instrument for authorizing the Secretary-General to exercise his authority as Chief Administrative Officer and

to hold him accountable, at the same time, for the results to be achieved.

29. Results-based budgeting would require some changes in the budget format. Programme managers will need to distinguish between objectives for the biennium, expected results, outputs and resource requirements (or inputs), each of which would have to meet strict criteria in terms of formulation and in their relation to each other. For illustrative purposes only, the prototype of a new format for a budget section appears in addendum 1 to the present report. The modified budget document would contain:

(a) An introduction and summary tables. The introduction would provide a brief summary of the programme of activities by budget section and information on the methodology applied, major changes compared with the current programme budget and resource tables. The post requirements will show staffing tables with information as to the total number and category of posts by section and an indicative distribution by grades of those posts within each category. Non-post requirements would be shown by section, with an indicative distribution by the 11 major categories of objects of expenditures used in the current programme budget;

(b) Budget sections. Each budget section (see prototype in addendum 1) will have information on:

(i) Objectives for the biennium;

(ii) Expected results;

(iii) Performance indicators;

(iv) Outputs;

(v) Resource requirements:

- Simplified staffing tables (Professional/General Service);
- Requirements for non-post items.

30. Under the proposals for results-based budgeting contained in the present report, resource requirements in each budget section would henceforth be presented at the aggregate level, which would be justified by the outputs required to satisfy the results sought. Detailed information by object of expenditure on the same pattern as is presently available would be provided as supplementary supporting material to the budget so as to enable the Advisory Committee to fully scrutinize resource requirements.

V. Implications of results-based budgeting

Intergovernmental and oversight bodies

31. Results-based budgeting would require a change in the approach to reviewing the programme budgets, as focus at the intergovernmental and oversight level would need to be on expected results rather than on inputs. It may be anticipated that the Committee for Programme and Coordination would have an enhanced role, not only in its review of the results to be achieved at the time of consideration of the Secretary-General's proposed programme budget, but also in its review of the results report after the close of the biennium to determine whether or not results have been achieved, on the basis of which the budget outline for the subsequent biennium would be approved. It should be noted at this point that results-based information generated as a part of the monitoring and evaluation processes would be handled by the Secretariat on the same basis as all monitoring and evaluation materials. Reports would be produced by the Secretariat for Member States, which would continue to exercise the role of making value judgements and deciding what follow-up action is appropriate as regards future programme design and implementation.

Link with the performance appraisal system

32. As far as the Secretariat is concerned, programme managers would be held fully accountable for the achievement of results. Programme performance could also be linked to the performance appraisal system (PAS) of programme and line managers once sufficient confidence has been built up in the performance indicators used for performance measurement. This will inevitably take time, and the first biennium in which performance indicators are used should be regarded as a test or pilot phase.

Modification of the Regulations and Rules Governing the Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation

33. Results-based budgeting could also have implications for the revision of the Regulations and Rules Governing Programme Planning, but not immediately. It may be recalled that programme budgeting was introduced as a practice some 13 years before regulations and rules relating to the subject were introduced. Nothing in the Financial Regulations and Rules nor in the Regulations and Rules

Governing Programme Planning would preclude the introduction of results-based budgeting in the form proposed in the present report. Indeed, as pointed out in paragraph 9, a number of provisions in the Regulations and Rules Governing Programme Planning presage the introduction of a results-based approach. The Secretariat is of the view that, in light of the evolutionary nature of the changes being proposed on the basis of experience both acquired and to be acquired, it would be appropriate at this stage to operate solely on the basis of individual General Assembly resolutions rather than on the basis of hastily constructed modifications to the relevant regulations and rules. Once practice has proved the new approaches to be durable and robust, the relevant provisions from applicable resolutions could easily be codified for future revisions of the regulations and rules.

VI. Issues to be addressed

34. The General Assembly may wish to address a number of issues with respect to shifting from the current system to results-based budgeting, as indicated below.

Changes to the format of each budget section

35. As the format of each budget section would continue to provide information on outputs and objectives, the addition of expected results and performance indicators should strengthen the overall presentation. This would, however, add to the length of the budget document. In keeping with the thrust to change the emphasis from an input orientation to a results orientation, it would be appropriate to lessen the detailed input information presented in the document. Accordingly, somewhat simplified information on post and non-post resource requirements would be incorporated in the budget document. However, so as to ensure that the Advisory Committee has the same level of detailed information as currently available, it is proposed that supplementary materials on resource requirements for each section be provided to the Advisory Committee at the same level of detail as exists in the current budget format. This would allow the same level of resource scrutiny to continue until such time as the results-based approach has proved itself as a matter of experience to be superior to current programme budget arrangements.

36. The extent to which the rigidities of inputs would be relaxed *within* the two main categories would be as follows:

(a) Post requirements. The current levels of post requirements would be identified, in the overview of each budget section, by only four levels, namely one for Assistant Secretaries General (ASGs) and Under-Secretaries General (USGs), one for Director levels (D-1/D-2), one for all Professional staff (P-1/P-5) and one for all categories of General Service staff. This would be similar to the approach taken by many specialized agencies where their budgets do not show the detailed levels of all staff;

(b) Non-post requirements. The current non-post objects of expenditures could be identified by three groupings, namely:

(i) Non-staff compensation;

(ii) Hospitality;

(iii) All other operating expenses.

37. It may be noted that the prototype provided in addendum 1 currently shows all non-staff resources as a single entry, but this could easily be modified to provide the breakdown suggested above.

Learning process

38. Although the changes in budget format foreseen in connection with a shift to results-based budgeting would involve the provision of objectives in a biennial context, expected results, performance indicators and simplified financial data, it would be prudent to approach the changes with carefully moderated and realistic expectations. Not every attempt to formulate objectives, results information and performance indicators will meet with immediate success. Indeed, the identification of appropriate and relevant performance indicators is a difficult process that has to be precisely tailored to each substantive programme area. Some indicators, while ideal in theory, could be unwieldy in practice. It is to be expected that the Organization will need to go through a learning process in which initially identified expected results and related performance indicators will need to be refined, modified or replaced. To this end, a guide to results-based budgeting has been prepared to assist programme managers in formulating their programme narratives, including the establishment of performance indicators. Briefing and training sessions would also be made available.

Phasing the changes

39. Under the circumstances, the Secretariat believes that it would be appropriate, in addition to presenting the full proposed programme budget for the biennium 2000–2001 in the current format, to also present fascicles for three budget sections utilizing the format for results-based budgeting as a prototype. This would provide an opportunity

for the Secretariat and Member States to test the proposed format under realistic conditions. Feedback from Member States would provide additional guidance for the further refinement and modification of the new budget format. As was the case with the introduction of the programme budget in 1974, benefits would also be derived from a period of practical experience and intensive cultivation throughout the Secretariat of the necessary expertise – learning by doing.

VII. Conclusions and recommendation

40. On the basis of the foregoing, the conclusions reached may be summarized as follows:

(a) Existing budgetary arrangements have succeeded in moving the United Nations away from a pure input budget, but these arrangements have not yet fulfilled their potential for optimizing programme effectiveness and resource utilization;

(b) A shift to results-based budgeting, if approved, would be an evolutionary development built on the existing foundation of the planning, programming, budgeting, monitoring and evaluation cycle;

(c) The need to define objectives more clearly and to determine the results to be achieved could be satisfied by modifying the budget document format to incorporate objectives for the biennium, expected results and performance indicators;

(d) A shift to results-based budgeting would facilitate analysis of programme implementation for use in decision-making, not only by Member States at the policy level, but also by programme managers when determining the scope and nature of activities to be undertaken and outputs to be delivered in pursuit of the objectives;

(e) Results-based budgeting represents continuing efforts to respond to the concerns of Member States by improving not only the effectiveness of the Organization using performance indicators to measure the expected results, but also its management culture, with emphasis on authority, responsibility and accountability of programme managers;

(f) Programme managers would be required to focus on results, to take decisions on resource management for the implementation of their programmes and be held accountable for those decisions;

(g) If managers are to be held accountable for the results of their programmes, they must be empowered to manage their resources without undue restraints from central administration;

(h) A shift to results-based budgeting could not be perfected the first time around, namely, for the preparation of the proposed programme budget for 2000–2001. Experience at the national levels with implementing reform measures indicates that changes require time for new approaches to be adopted and adapted. Modifications, adjustments and refinements on the basis of lessons learned are to be expected before any new system is functioning optimally.

41. **It is therefore recommended that the General Assembly endorse the proposal that in addition to presenting the full programme budget for the biennium 2000–2001 in the current format, the Secretary-General should also present fascicles for three budget sections utilizing the proposed format for results-based budgeting as a prototype.**

Notes

[1] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 7* (A/52/7), para. 30 (b).

[2] Ibid., *Forty-eighth Session, Supplement No. 16* (A/48/16), para. 235.

[3] Ibid., *Forty-sixth Session, Supplement No. 7* (A/46/7), para. 83.

[4] Ibid., *Supplement No. 16* (A/46/16), para. 398.

[5] Ibid., *Forty-eighth Session, Supplement No. 16* (A/48/16), para. 236.

[6] Ibid., *Fifty-third Session, Supplement No. 16* (A/53/16), para. 33.

[7] Ibid., para. 219.

Annex

Glossary of results-based budgeting terms

Activity	Action taken to transform resources (inputs) into outputs.
Effectiveness	Extent to which results are achieved.
Efficiency	How well inputs are converted to outputs.
End-user/client	The recipient or beneficiary of an output or result.
Evaluation	Determination of the relevance, effectiveness and impact of the outputs, projects, subprogrammes or programmes in light of the objectives and expected results.
Expected results or results	Desired outcomes involving benefits to end-users/clients, expressed as a quantitative standard, value or rate. Results are the direct consequence or effect of the generation of outputs, leading to the fulfilment of a certain objective.
Inputs	Personnel and other resources necessary for producing outputs and achieving results.
Monitoring	Tracking and determining the actual delivery of an output in comparison with the commitments as reflected in the programme budget.
Objective	An overall desired achievement, involving a process of change and aimed at meeting certain needs of identified end-users/clients within a given period of time. Objectives can be met through reaching certain results.
Output	Final product or service delivered by a (sub)programme to end-users/clients.
Performance indicator	A feature or characteristic used to measure whether the results have been achieved.
Performance measurement	The determination of values of performance indicators for a given period of time or at a certain reference date.
Results-based budgeting	Programme budget process in which: (a) programme formulation revolves around a set of predefined objectives and expected results; (b) expected results justify the resource requirements which are derived from and linked to outputs required to achieve such results; and (c) actual performance in achieving results is measured by objective performance indicators.